

Message Text

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12

ACTION OPIC-06

INFO OCT-01 EUR-12 ISO-00 EB-07 COME-00 TRSE-00 /026 W

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R 301118Z SEP 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 8698

C O N F I D E N T I A L LISBON 6703

E.O. 11652: GDS

TAGS: EINV, PO

SUBJ: APPLIED MAGNETICS DISPUTE

REF: (A) LISBON 6448, (B) PASTORINO-KELLY TELECON SEPT 27

1. COMMATT HELD DETAILED DISCUSSION WITH EX-APPLIED MAGNETICS COMPTROLLER BAPTISTA ABOUT BAPTISTA'S ROLE IN EFFORTS TO RESOLVE DISPUTE. EX-COMPTROLLER MAINTAINS HIS ROLE VERY MINOR AND INVOLVED ONLY IN TAX REBATE QUESTION. HE HAS TALKED UNOFFICIALLY TO TAX DEPARTMENT OFFICIALS AND REPORTED HIS OPINION TO APPLIED OFFICIALS THAT GOP MIGHT BE WILLING RESOLVE TAX REBATE ASPECT OF CASE. BAPTISTA STATES HE DID NOT REPEAT NOT TELL APPLIED OFFICIALS THAT GOP WAS IN PROCESS OF RESOLVING DISPUTE. HE ALSO DENIES HAVING TALKED TO LABOR OR FINANCE MINISTRIES OR ESPIRITO SANTO BANK ABOUT OTHER ASPECTS OF CASE.

2. BAPTISTA HAS FOLLOWED APPLIED DEVELOPMENTS CLOSELY BUT PROBABLY ONLY AS SPECTATOR, EXCEPT FOR ONE INSTANCE OF TAX REBATE DISCUSSION. HE LEFT APPLIED SHORTLY BEFORE ITS CLOSURE AND COLLECTED HIS FULL SEVERANCE PAY. HE EMPHASIZED THAT CASE IS STILL POLITICALLY VERY SENSITIVE AND THAT JULY 1974 PROBLEMS WERE POLITICALLY MOTIVATED. BAPTISTA NOW WORKING FOR SQUIBB PORTUGUESA.

3. SCHEDULED MEETING BETWEEN ECONCOUNS, COMMATT AND SEC STATE FOR BUDGET (RAMALHEIRA) TO DISCUSS APPLIED CASE POSTPONED BY SECSTATE UNTIL OCTOBER 6. COMMATT CALLED SECSTATE'S EXECUTIVE ASSISTANT ON SEPTEMBER 28 NOTING CONFIDENTIAL

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NEED FOR URGENT DISCUSSION BECAUSE OF POTENTIAL ADVERSE

IMPACT ON FOREIGN INVESTMENT CLIMATE. HE STRESSED THAT EMBASSY FIRST REQUESTED APPOINTMENT ON AUGUST 16 TO DISCUSS CASE. (AT THAT TIME EMBASSY OFFICER LEFT DESCRIPTION OF CASE WITH CHIEF OF CABINET OF THEN RECENTLY SWORN IN SECRETARY OF STATE RAMALHEIRA.) (WE HAD PREVIOUSLY DISCUSSED CASE WITH VI PROVISIONAL GOVERNMENT SECRETARY CONSTANCIO.) EXECUTIVE ASSISTANT PROMISED PASS ON INFORMATION AND HAVE CHIEF OF CABINET CALL EMBASSY. THUS FAR THERE HAS BEEN NO RESPONSE. EMBASSY MAY HAVE TO RAISE SUBJECT WITH MINISTER OF FINANCE.

4. COMMENT: BAPTISTA IS CORRECT IN HIS EMPHASIS THAT CASE IS POLITICALLY SENSITIVE. SECRETARY OF STATE APPARENTLY UNWILLING AT THIS TIME TO DISCUSS APPLIED MAGNETICS OR TO RECEIVE APPLIED REPRESENTATIVES.
CARLUCCI

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